



CITY OF DUNWOODY

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MEMORANDUM

To: Mayor and City Council

From: Chris Pike, Finance Director

Date: September 28, 2009

Subject: **Second Reading and Adoption of the Dunwoody Budget Policy**

Our City Charter requires a Budget Policy be adopted by Ordinance. State law requires all counties and cities to follow a specified procedure in adopting a budget to ensure that local taxpayers have the opportunity to learn how their money is proposed to be spent. Below is a summary of the minimum requirements that all cities must follow. In addition to the OCGA requirements, our City Charter provides additional budgetary requirements included in the policy. And above that, the policy includes management practices performed above those statutory requirements. The budget policy attached consolidates the Charter requirements, OCGA requirements below, and current management practices.

Step One: The Proposed/Draft Budget

After review and comment by the mayor, a proposed budget is put together by a budget officer who, according to the Charter, is the City Manager. On the day that the proposed budget is submitted to Council for review, it must also be placed in a public location convenient to residents during reasonable business hours. O.C.G.A. § 36-81-5(d). For example, copies of the proposed budget could be placed in a designated office in the Clerk's office.

During the week that the proposed budget is submitted to Council, a notice must be published in a prominent location of a newspaper of general circulation. It must appear in a section other than where legal notices appear and must contain statements that:

- Let residents know that the proposed budget is available; and
- Let residents know that a public hearing will be held at which time they may comment on the budget. O.C.G.A. § 36-81-5(e).

If the time, date and location of the required public hearing is known (see below), it may be included in this advertisement. O.C.G.A. § 36-81-5 (g)(2). If requested, the proposed budget must be made available to the news media. O.C.G.A. § 36-81-5(d).

Step Two: Budget Work Sessions

Although budget work sessions are not required, if Council holds a meeting or work session to work on the proposed budget, the meeting or work session must be advertised and held in accordance with the general requirements for open meetings. O.C.G.A. § 50-14-1 et seq.

Step Three: Budget Hearing

Council must hold at least one public hearing on the budget. O.C.G.A. § 36-81-5(f).

The public hearing must be held at least one week before the adoption of the budget. O.C.G.A. § 36-81-5(f).

A notice of the public hearing must be prominently advertised at least one week in advance in a newspaper of general circulation (but not in the section where legal notices are published). O.C.G.A. § 36-81-5(g)(1). If the publication of the statement of availability of the proposed/draft budget (see above) contained the time, date and location of the budget hearing, then a separate notice is not required. O.C.G.A. § 36-81-5(g)(2).

Additional public hearings on the budget may be held, but must be prominently advertised at least one week in advance in a newspaper of general circulation. O.C.G.A. § 36-81-5(h).

Step Four: Adoption of the Budget Ordinance/Resolution

The budget must be adopted in the form of an ordinance or resolution at a public meeting. The board of commissioners must wait at least one week after the public hearing is held before meeting to adopt the budget. O.C.G.A. § 36-81-6(a).

A prominent notice of the meeting to adopt the budget ordinance/resolution must be published in a newspaper of general circulation (in a location other than where the legal notices are published) at least one week before the meeting to adopt the budget. O.C.G.A. §§ 36-81-6(a) and 36-81-5(e).

Attachments:

Ordinance for First Read

Budget Policy Draft

Charter requirements pertaining to the budget

ORDINANCE 2009-09-40

**AN ORDINANCE TO ADOPT THE POLICY RELATING TO THE BUDGETARY
PROCESS, AS A COMPONENT OF THE FINANCIAL MANAGEMENT PROGRAM
FOR THE CITY OF DUNWOODY, GA; TO PROVIDE FOR GUIDANCE IN
ADMINISTERING THE POLICY; AND FOR OTHER PURPOSES**

WHEREAS, it is necessary, from time to time, to establish policies and procedures consistent with the administration of a municipal government in alignment with federal, state, and local regulations; and

WHEREAS, the Director of Finance in conjunction with the City Manager is comprehensively developing the Financial Management Program, consisting of accounting, auditing, financial reporting, budgetary, capital assets, cash and investment management, debt management, expenditures/expenses, grant management, purchasing, revenue administration, and travel and meal expenditures policies in order to provide guidance and direction to City officials and employees, to establish standard policies for recurring matters, to establish strong internal controls and legal compliance, and to provide for an efficient and effective means to operate the government; and

WHEREAS, upon adoption, staff will incorporate the above policy into the Financial Management Program, and into the City's daily operations to effectuate the management of finances and operations; and

WHEREAS, the City intends to utilize this policy and procedures in all applications which warrant such oversight.

NOW, THEREFORE, BE IT ORDAINED that the budgetary policy relating to the Financial Management Program is hereby adopted and approved; and is attached hereto as if fully set forth herein; and

BE IT FURTHER ORDAINED that staff is hereby directed to develop operating procedures and practices consistent with the nature and scope of the policy attached hereto; and

BE IT FURTHER ORDAINED that this policy is effective immediately.

SO ORDAINED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF DUNWOODY, GEORGIA this the 28th day of September, 2009.

Approved:

Ken Wright, Mayor

STATE OF GEORGIA
CITY OF DUNWOODY

Attest:

Sharon Lowery, City Clerk
Seal

Approved as to Form and Content

Brian Anderson, City Attorney

CITY OF DUNWOODY
FINANCIAL MANAGEMENT POLICIES

BUDGETARY POLICY

Subject	BUDGETARY POLICY
Date	SEPTEMBER 28, 2009
Page	1 OF 7

Developed under the Authority of the City Council by the Department of Finance, and approved by ordinance

SECTION I. GENERAL BUDGET POLICIES

Georgia law (e.g., O.C.G.A. 36-81-2 et seq.) provides the budget requirements for Georgia local governments. The information below provides an outline of the City’s application of those laws.

The City’s goal will be to adopt operating budgets where current revenues equal or exceed anticipated expenditures. All departments supported by the resources of this City must function within the limits of the financial resources identified or available specifically to them. A balance must be struck between revenues and expenditures, so that the public can realize the benefits of a strong and stable government. It is important to understand that this policy is applied to budget entities over periods of time which extend beyond current appropriations. By law, budgets cannot exceed available resources, defined as revenues generated in the current period added to balances carried forward from prior years. Temporary shortages, or operating deficits, can and do occur, but they are not tolerated as extended trends.

A. SCOPE

This policy applies to all budgeted funds, which are the responsibility, and under the management of the City of Dunwoody and its Department of Finance.

B. FINANCING CURRENT COSTS

As required by law, current costs shall be financed with current revenues, including the use of authorized fund balances. The City shall strive to avoid short-term borrowing to meet cash flow requirements. However, the City may enter into short-term borrowing should a need arise.

C. BUDGET OBJECTIVE BY TYPE OF FUND

The following budget objectives are established for the different City operating funds below:

1. **General Fund** – The annual budget for the General Fund shall provide for general government operations of the City and maintain working capital necessary for the City’s financial health and stability.
2. **Special Revenue Fund(s)** – The City adopts annual budgets for each special revenue fund that demonstrates any legally restricted revenue sources are used consistent with the applicable laws and/or regulations (i.e. Emergency 911 Fund, Impact Fee Fund, etc.).
3. **Capital Project Fund(s)** – The City adopts project budgets for each of its capital project funds. These adopted appropriations do not lapse at the end of a fiscal year; rather they remain in effect until project completion or re-appropriation by City Council.
4. **Debt Service Fund(s)** – The City adopts annual budgets for its debt service funds. Any remaining fund balances from prior years plus current years projected revenues shall be sufficient to meet all annual debt service requirements.

Subject	BUDGETARY POLICY
Date	SEPTEMBER 28, 2009
Page	2 OF 7

5. **Enterprise Fund(s)** - Although generally accepted accounting principles (GAAP) and Georgia statutes do not require the City to adopt budgets for enterprise funds, the City does adopt budgets for its enterprise funds in order to monitor revenues and control expenses. The City uses a business approach when budgeting enterprise funds. Enterprise funds shall be self-supporting whenever possible and subsidized losses will be minimized when break-even is not possible.

SECTION II. OPERATING BUDGET

The operating budget shall be prepared on an annual basis and include those funds detailed in Section I that are subject to annual appropriation (all funds excluding the Capital Project Funds). Prior year budget appropriations and prior year actual data will be provided as reference data, with the current year appropriation and projection of expenditures. At a minimum, the City shall adopt annual balanced budgets for the general fund, each special revenue fund, and each debt service fund in accordance with O.C.G.A. 36-81-3.

A. DEPARTMENTAL APPROPRIATIONS

The budget shall be developed based upon “line-item” expenditures within each department. This type of budget focuses on categories of expenditures such as personal services, contractual services, supplies, equipment, etc. within each department. At a minimum, each department’s appropriation in each fund shall be detailed within the budget document. (O.C.G.A. 36-81-3 and 36-81-5).

B. COUNCIL APPROPRIATIONS

The Mayor and each councilmember shall be provided an annual expense allowance as provided pursuant to the City Charter (SECTION 2.07.) for the reimbursement of expenses actually and necessarily incurred by the Mayor and Council members in carrying out their duties as elected officials of the city.

C. BUDGET PREPARATION CATEGORIES

Each department shall submit budget requests for current services necessary to provide the same level of service for the upcoming year that is currently being provided and expanded services associated with new services, additional personnel or new capital projects/equipment.

C. BALANCED BUDGET

The budget shall be balanced for each budgeted fund. Total anticipated revenues plus that portion of fund balance in excess of total anticipated revenues (see operating budget policy G below) that is designated as a budget-funding source shall equal total estimated expenditures for each fund. Pursuant to the City Charter, Beginning in the third year of the city’s operation, the city manager and mayor are required to present to the city council a budget which is balanced in projected spending and revenues.

D. BASIS OF BUDGETING

Neither GAAP nor Georgia statutes address a required budgetary basis of budgeting; however, the City shall adopt budgets in conformity with GAAP for all budgeted funds. All governmental funds shall use the modified accrual basis of accounting and proprietary funds shall use the accrual basis of accounting for budgeting purposes.

Subject	BUDGETARY POLICY
Date	SEPTEMBER 28, 2009
Page	3 OF 7

E. LEVEL OF BUDGET ADOPTION AND CONTROL

All budgets shall be adopted at the legal level of budgetary control, which is the department level within each individual fund. See policy J below for amending the budget.

F. BUDGET STABILIZATION RESOURCES

The City shall establish a fund balance in all operating funds (listed in Section I.C of this policy) for working capital. The purpose of working capital is to cover the cost of expenditures caused by unforeseen emergencies, cover shortfalls caused by revenue declines, and to eliminate any short-term borrowing for cash flow purposes. This fund balance shall accumulate and then be maintained at an amount, which represents no less than four (4) months of operating and debt expenditures (approximately one-third of annual budgeted expenditures).

G. UTILIZATION OF PRIOR YEAR'S FUND BALANCE IN BUDGET

If necessary, the City may use fund balance for working capital (see budget policy F above) as a funding source for that fund's budget in any given year. The amount of unreserved fund balance shall be estimated conservatively, taking into consideration future year needs. The minimum requirement for working capital, equal to four (4) months of operating and debt expenditures, must first be met before utilizing the excess fund balance as a funding source for the budget except as provided for in policy H below. The utilization of fund balance shall be deemed a use of one-time revenues for budgeting purposes.

H. APPROPRIATION LAPSES AT YEAR END

All operating budget appropriations (including encumbered appropriations) shall lapse at the end of a fiscal year. Purchases encumbered in the current year, but not received until the following year, must be charged against a department's subsequent year appropriation. For projects and other purchases approved, but whose purchase is not anticipated to occur prior to the fiscal year end, utilization of the budgeted funds may be accounted for in accordance with policy G above.

I. BUDGET CONTROL REPORTS

The City shall maintain a system of budgetary control reports to assure adherence to the budget. The City will prepare and distribute to departments, timely monthly financial reports comparing actual revenues, and outstanding encumbrances and expenditures with budgeted amounts.

J. AUTHORIZATION OF BUDGET ADJUSTMENTS AND AMENDMENTS

The budget is a dynamic rather than static plan, which requires adjustments and formal budget amendments as circumstances change. The City Council must approve all increases in total departmental appropriations.

Department Heads must submit budget amendment requests transferring appropriations from one line item to another within the specific department appropriation and the fund, other than those prohibited above, and obtain approval by the Director of Finance and the City Manager. Adjustments from appropriations that have been obligated, committed, or reserved for a designated purpose shall not be transferred until a formal de-obligation occurs.

Subject	BUDGETARY POLICY
Date	SEPTEMBER 28, 2009
Page	4 OF 7

Throughout or subsequent to each year, any necessary budgetary appropriations, including budgets for any projects authorized but not funded during the year, may be appropriated through a supplementary budget amendment. Such supplemental appropriations shall be balanced with additional revenues or reduced expenditures for each fund.

K. CONTINGENCY LINE-ITEM

The City shall establish an appropriated contingency in all operating funds (defined in Section I of this policy) in order to accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City's operations which could not have been reasonably anticipated at the time the budget was prepared. Non-operating funds (defined in Section I of this policy) shall not require a contingency appropriation.

This contingency appropriation will be a separate line item within the budget. This amount shall be subject to annual appropriation. Council approval shall be required for all expenditure requests from the contingency line item(s). However, expenditures from project contingencies described in Section IV(A) shall not require Council approval.

L. CONTRIBUTIONS

Unless authorized by City Council, outside contributions to programs operated by City departments shall be subject to the City's accounting and budgetary policies. The City welcomes both unrestricted and restricted contributions compatible with the City's programs and objectives. Any material contribution shall be appropriated by City Council prior to expenditure. Material contributions shall be defined as one-time contributions exceeding \$50,000.

M. ADMINISTRATIVE SERVICE FEE/COST ALLOCATION

Whenever possible, the City may assess an administrative service fee from the General Fund to any other fund, based upon documentation and/or an outside independent study. This assessment will be based upon a percentage of the operating revenues, or services provided to the fund and shall be used to reimburse the General Fund for the administrative and support services provided to the assessed fund.

N. ONE-TIME REVENUE SOURCES

To the extent practical, non-recurring revenues shall be utilized within the appropriate fund for items relating to non-recurring expenses to eliminate the fluctuations in funding operations with non-sustainable resources.

SECTION III. CASH FLOW BUDGET

For analysis and internal management purposes, the City shall prepare an annual cash flow budget in conjunction with the Operating Budget. The purpose of this document will be to provide the necessary guidelines to ensure that cash will be available to pay budget costs on a timely basis.

Subject	BUDGETARY POLICY
Date	SEPTEMBER 28, 2009
Page	5 OF 7

Budget allocations (i.e., budget allotments) are used in the operating budget, when needed to manage cash flows. The annual appropriation may be divided into segments in order to ensure that the projected revenue streams will be adequate to fund the appropriated expenditures. The cash flow budget will provide details as to the periods in which the revenues will be collected, and thereby providing for available resources to pay obligations.

SECTION IV. CAPITAL PROJECT IMPROVEMENT PLAN

The City will prepare a five-year capital project improvement plan (CIP) to be updated annually. This plan will assist in the planning, acquisition, and financing of capital projects. A major capital project generally is defined as an expenditure that has an expected useful life of more than 3 years with an estimated total cost of \$50,000 or more, or an improvement/addition to an existing capital asset. Examples include building/infrastructure construction, park improvements, streetscapes, computer systems, land acquisitions, heavy duty trucks.

Major capital projects will be budgeted in the Capital Improvement Fund consistent with all available resources. With the involvement of the responsible departments, the Finance Department will prepare the capital budget in conjunction with the operating budget.

A. PROJECT LENGTH BUDGET

The CIP budget shall be developed based upon defined projects approved by the Mayor and City Council. Budget appropriation shall include the complete project costs with contingency amounts as appropriate and if available. (O.C.G.A. 36-81-3)

B. BUDGET PREPARATION

Each department, in conjunction with the Mayor and City Council, will identify potential capital projects throughout the year. All identified projects will be added to the CIP document, regardless of available funding. These identified projects provide a method of tracking and planning for the future needs of the City. Every effort will be made to identify those projects committed by the City Council through legislative action.

C. BUDGET CONTROL REPORTS

The City shall maintain a system of budgetary control reports to assure adherence to the budget. The City will prepare and distribute to departments, timely monthly financial reports comparing actual revenues, and outstanding encumbrances and expenditures with budgeted amounts.

D. AUTHORIZATION OF BUDGET ADJUSTMENTS AND AMENDMENTS

Department Heads must submit budget amendment requests transferring appropriations from one line item to another within the same project. The Director of Finance and the City Manager shall review and approve all requests for budget adjustments. Adjustments from appropriations that have been obligated, committed, or reserved for a designated purpose shall not be transferred until a formal de-obligation occurs. The de-obligation of budget dollars to a specific project will only occur after the completion of the project or when a project was identified and funding is no longer necessary.

Subject	BUDGETARY POLICY
Date	SEPTEMBER 28, 2009
Page	6 OF 7

E. APPROPRIATIONS AT YEAR END

Capital project appropriations shall carry forward to the subsequent budget period an equal amount of any encumbrances/purchase orders issued as of the close of the fiscal year. Purchases encumbered in the current year, but not received until the following year, must be charged against each department's subsequent year carry-over appropriation. Any remaining appropriation available by project at year-end must be re-appropriated.

F. CONTINGENCY ACCOUNT

The City shall include an appropriated contingency in the Capital Project Fund in order to accommodate expenditures that may not have been expected during the duration of a capital project. Expenditure of contingency funds shall only be authorized in accordance with the same provisions as provided in policy D of this section. Any contingency budgets shall be subject to annual appropriation.

SECTION V. SUBMISSION OF THE BUDGETS TO COUNCIL

A. ACTION BY THE CITY MANAGER AND MAYOR TO PRESENT BUDGETS TO COUNCIL

The City Manager must submit all proposed operating and capital budgets to Council by September 1st for the ensuing fiscal year. Prior to submitting the budgets to Council, the budgets will be submitted to the Mayor for input, review, and comment. The submitted budgets will be accompanied by a message from the mayor and city manager containing a statement of the general fiscal policies of the city, the important features of the budget, explanations of major changes recommended for the next fiscal year, a general summary of the budget, and such other comments and information as they may deem pertinent. The operating budget, capital budget, the budget message, and all supporting documents shall be filed in the office of the city manager and shall be open to public inspection.

B. PUBLIC HEARING AND ANNOUNCEMENT

On the date that the proposed budget is submitted to Council for consideration, a copy of the budget shall be placed with the City Clerk's office. Convenient access to the residents during reasonable business hours will be provided as to accord every opportunity to the public to review the budget prior to adoption. A statement advising the residents of the City of the availability of the proposed budget shall be published in a newspaper of general circulation during the same week it is made available to Council. The statement shall be a prominently displayed advertisement or news article and shall not be placed in that section of the newspaper where legal notices appear.

At least one week prior to passage of the budget, Council shall hold a special public hearing at which the budget will be presented and public comment on the budget will be solicited. The date, time and place of the special public hearing shall be announced no less than 30 days prior to the scheduled date for such hearing. At least one week before the budget hearing is held, a notice shall be published in a newspaper of general circulation within the jurisdiction of the City. The statement shall be a prominently displayed advertisement or news article and shall not be placed in that section of the newspaper where legal notices appear.

Subject	BUDGETARY POLICY
Date	SEPTEMBER 28, 2009
Page	7 OF 7

C. PASSAGE OF THE BUDGETS

Council shall adopt a budget on or before the first day of the eleventh month of the fiscal year currently ending. If Council fails to adopt the budget by the prescribed deadline, the operating budget and capital budget proposed by the Mayor and City Manager shall be adopted without further action by Council. Any subsequent changes to the budget will be addressed in accordance with amendment procedures previously mentioned.

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- (6) Recommend to the city council, after prior review and comment by the mayor, for adoption such measures as the city manager may deem necessary or expedient;
- (7) See that all terms and conditions imposed in favor of the city or its inhabitants in any public utility franchise are faithfully kept and performed and upon knowledge of any violation thereof to call the same to the attention of the city attorney, whose duty it shall be forthwith to take such steps as are necessary to protect and enforce the same;
- (8) Make and execute all lawful contracts on behalf of the city as to matters within the city manager's level of authorization as established by the city council to the extent that such contracts are funded in the city's budget, except such as may be otherwise provided by law; provided, however, that no contract purchase or obligation requiring a budget amendment shall be valid and binding until after approval of the city council;
- (9) Sign all orders, checks, and warrants for payment of money within the city manager's level of authorization as established by the city council to the extent that such contracts are funded in the city's budget, except such as may be otherwise provided by law; provided, however, that no such order, check, or warrant requiring a budget amendment shall be valid and binding until after approval of the city council;
- (10) Act as budget officer to prepare and submit to the city council, after review and comment by the mayor, prior to the beginning of each fiscal year a budget of proposed expenditures for the ensuing year, showing in as much detail as practicable the amounts allotted to each department of the city government and the reasons for such estimated expenditures;
- (11) Keep the city council at all times fully advised as to the financial condition and needs of the city;
- (12) Make a full written report to the city council on the fifteenth of each month showing the operations and expenditures of each department of the city government for the preceding month, and a synopsis of such reports shall be published by the city clerk;
- (13) Fix all salaries and compensation of city employees in accordance with the city budget and the city pay and classification plan; and
- (14) Perform such other duties as may be prescribed by this charter or required by ordinance or resolution of the city council.

SECTION 4.05.

Certiorari.

The right of certiorari from the decision and judgment of the municipal court shall exist in all criminal cases and ordinance violation cases, and such certiorari shall be obtained under the sanction of a judge of the Superior Court of DeKalb County under the laws of the State of Georgia regulating the granting and issuance of writs of certiorari.

SECTION 4.06.

Rules for court.

With the approval of the city council, the judge(s) shall have full power and authority to make reasonable rules and regulations necessary and proper to secure the efficient and successful administration of the municipal court.

ARTICLE V

FINANCE AND FISCAL

SECTION 5.01.

Fiscal year.

The city council shall set the fiscal year by ordinance. Said fiscal year shall constitute the budget year and the year for financial accounting and reporting of each and every office, department or institution, agency, and activity of the city government, unless otherwise provided by state or federal law.

SECTION 5.02.

Preparation of budgets.

The city council shall provide, by ordinance, the procedures and requirements for the preparation and execution of an annual operating budget and a capital budget, including requirements as to the scope, content, and form of such budgets and programs.

SECTION 5.03.**Submission of operating budget to city council.**

(a) On or before a date fixed by the city council, but no later than the first day of the ninth month of the fiscal year currently ending, the city manager shall, after input, review and comment by the mayor, submit to the city council a proposed operating budget and capital budget for the ensuing fiscal year. The budget shall be accompanied by a message from the mayor and city manager containing a statement of the general fiscal policies of the city, the important features of the budget, explanations of major changes recommended for the next fiscal year, a general summary of the budget, and such other comments and information as they may deem pertinent. The operating budget, capital budget, the budget message, and all supporting documents shall be filed in the office of the city manager and shall be open to public inspection.

(b) Beginning in the third year of the city's operation, the city manager and mayor are required to present to the city council a budget which is balanced in projected spending and revenues.

(c) Prior to passage of the budget, the city council shall hold a special public hearing at which the budget will be presented and public comment on the budget will be solicited. The date, time and place of the special public hearing shall be announced no less than 30 days prior to the scheduled date for such hearing.

(d) All unencumbered balances of appropriations in the current operating budget at the end of the fiscal year shall lapse into the unappropriated surplus or reserves of the fund or funds from which such appropriations were made. When a supplemental appropriation is certified by the city manager to exist, these appropriations can be spent during the current fiscal year following passage of a supplemental appropriation ordinance.

SECTION 5.04.**Action by city council on budget.**

(a) The city council may amend the operating budget or capital budget proposed by the city manager in accordance with Section 5.03(a), except that the budget, as finally amended and adopted, must provide for all expenditures required by law or by other provisions of this charter and for all debt service requirements for the ensuing fiscal year; and the total appropriations from any fund shall not exceed the estimated fund balance, reserves, and revenues constituting the fund availability of such fund.

(b) The city council shall adopt a budget on or before the first day of the eleventh month of the fiscal year currently ending. If the city council fails to adopt the budget by the prescribed deadline, the operating budget and capital budget proposed by the mayor and city manager shall be adopted without further action by the city council.

SECTION 5.05.

Procurement and property management.

No contract with the city shall be binding on the city unless it is in writing. The city council may adopt procedures for the authorization of certain contracts without city attorney review or city council approval. Absent the foregoing, no contract with the city shall be binding on the city unless:

- (1) It is drawn or submitted and reviewed by the city attorney and, as a matter of course, is signed by the city attorney to indicate such drafting or review; and
- (2) It is made or authorized by the city council and such approval is entered in the city council journal of proceedings.

SECTION 5.06.

Purchasing.

The city council shall by ordinance prescribe procedures for a system of centralized purchasing for the city.

SECTION 5.07.

Audits.

(a) There shall be an annual independent audit of all city accounts, funds, and financial transactions by a certified public accountant selected by the city council. The audit shall be conducted according to generally accepted accounting principles. Any audit of any funds by the state or federal government may be accepted as satisfying the requirements of this charter. Copies of all audit reports shall be available at printing cost to the public.

(b) As a minimum, all audits and budgets of the city shall satisfy the requirements of Chapter 81 of Title 36 of the O.C.G.A. relating to local government audits and budgets.